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C O N F I D E N T I A L USUN 3808

E.O. 11652: GDS

TAGS: EGEN, UNGA

SUBJ: AD HOC COMMITTEE (AHC) OF 36 ON SPECIAL FUND:
INFORMAL GROUP MEETINGS

REF: USUN A-1271

1. ISSUES AND ATTITUDES OF DEVELOPED AND DEVELOPING COUNTRIES RE SPECIAL FUND (SEE REFAIR) EMERGED DURING LENGTHLY INFORMAL GROUP MEETINGS WEEK OF SEPTEMBER 30. MEETINGS ATTENDED FOR MOST PART BY APPROXIMATELY 20 DELEGATIONS TO PROPOSE CONTEXT OF COMMITTEE REPORT FOR 29TH GA AND DISCUSS DRAFT PRODUCED IN MID-WEEK BY SECRETARIAT INCORPORATING VIEWS EXPRESSED THIS SESSION AND MEETINGS SEPTEMBER 9-13.

2. DRAFT AD HOC COMMITTEE REPORT (168/L4/ADD.1) INCLUDES DRAFT RESOLUTION ON OPERATION OF THE SPECIAL FUND TO BE PASSED BY GENERAL ASSEMBLY AND COMMENTS ON AHC RESPONSIBILITIES TO MONITOR BILATERAL AND MULTILATERAL ASSISTANCE FOR MSAS AND TO MAKE A BROAD ASSESSMENT THEIR REQUIREMENTS (SEE REFAIR).

3. FIRST MAJOR ISSUE CONCERNED FUTURE RESOURCES FOR
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FUND. LDCS PRESSED HARD FOR CASH IN CONVERTIBLE CURRENCIES,

PAID WITHIN 12-MONTHS FOLLOWING PLEDGE, WITH FOREIGN EXCHANGE GUARANTEE TO ENSURE MAINTENANCE OF VALUE AT TIME OF COMMITMENT DESPITE POSSIBLE EXCHANGE RATE FLUCTUATION. LDCS ALSO FORESEE SERIES OF PLEDGING CONFERENCES. DCS SUPPORTED TEXT WHICH WOULD ALLOW DONORS TO INDICATE PORTIONS OF THEIR CONTRIBUTIONS TO BE USED FOR EMERGENCY RELIEF AND/OR DEVELOPMENT ASSISTANCE. DCS WERE ADAMANT AGAINST ANY REFERENCE TO FOREIGN EXCHANGE GUARANTEE AND AGREEMENT WAS REACHED BY DELETING THIS LANGUAGE AND ALSO DELETING REFERENCE TO INDICATION OF EMERGENCY RELIEF/ DEVELOPMENT ASSISTANCE PROPORTIONS OF CONTRIBUTIONS.

4. SECOND ISSUE CONCERNED POSSIBLE ESTABLISHMENT OF EXECUTIVE COMMITTEE IN ADDITION TO BOARD OF GOVERNORS TO SUPERVISE OPERATION OF SPECIAL FUND. SOME DCS FELT THIS WAS MORE MACHINERY THAN PROSPECTIVE RESOURCES WARRANTED. ISSUE RESOLVED BY LDC ACCEPTANCE OF DC SUGGESTION THAT "BOARD OF GOVERNORS MAY, IN LIGHT OF EXPERIENCE GAINED, MAGNITUDE OF AVAILABLE RESOURCE, AND CHANGES IN NATURE OF OPERATIONS, ESTABLISH AN EXECUTIVE COMMITTEE..."

5. LDC CONCESSION ON VOTING WAS RECOGNITION THAT DECISIONS ON IMPORTANT QUESTIONS WOULD BE MADE BY TWO-THIRDS MAJORITY OF TOTAL MEMBERSHIP OF BOARD OR EXECUTIVE COMMITTEE. EXAMPLES OF IMPORTANT QUESTIONS CITED WERE THOSE OF POLICY, PROJECT APPROVAL AND ALLOCATION OF FUNDS. AFTER SOME DEBATE DC PROPOSAL TO INCLUDE "ELIGIBILITY OF RECIPIENTS" WAS ACCEPTED. GENERALLY DCS REFERRED TO MSAS WHICH WOULD HAVE PRIORITY CLAIM ON FUNDS AVAILABLE AND WHICH PERHAPS WOULD, INITIALLY AT LEAST, BE THE PREBISCH LIST FOR ALLOCATION ON EMERGENCY ASSISTANCE. SOME VOCAL LDCS (LATINS AND SOME ASIANS) OPPOSE PRESENT MSA LIST, FEEL IT SHOULD BE SIGNIFICANTLY EXPANDED AND AUTOMATICALLY INCLUDE LAND-LOCKED AND LEAST DEVELOPED DEVELOPING COUNTRIES. THIS BECAME MAJOR ISSUE AND LANGUAGE LEFT IN REPORT IN BRACKETS. COMMENT: US DEL FEELS OBJECT OF SOME LDCS IS TO EXPAND LIST OF RECIPIENTS AND BLUR DISTINCTION BETWEEN EMERGENCY AND DEVELOPMENT ASSISTANCE TO ALLOW BROAD PARTICIPATION IN SPECIAL FUND. SUCH ACTION WOULD ALSO AVOID POTENTIAL DANGER OF GRADUAL FORMATION AND RECOGNITION OF NEW UN GROUP

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WHICH MIGHT HAVE SPECIAL CLAIM FOR FUTURE ASSISTANCE. OTHER INDICATIONS OF SUCH LDC CONCERN WAS LANGUAGE UNDER ARTICLE VI "MODES OF OPERATION" OF FUND WHICH WOULD EMPOWER FUND "TO PARTICIPATE IN OR GUARANTEE INVESTMENTS IN OTHER FORMS" AND WHICH WOULD INCLUDE AS BENEFICIARIES ANY INTER-NATIONAL, REGIONAL, OR SUBREGIONAL AGENCY OR INSTITUTION CONCERNED WITH ECONOMIC OR SOCIAL DEVELOPMENT OF DEVELOPING COUNTRIES". END COMMENT

6. LANGUAGE CONCERNING FUND'S PARTICIPATION IN INVESTMENTS BECAME MAJOR ISSUE AND INCLUDED IN BRACKETS.

7. RE MONITORING, AHC HAS IN FACT RELIED ON PREBISCH AND HIS STAFF TO PERFORM HIS FUNCTION. DRAFT RESOLUTION RECOGNIZES THAT THE FUND SHALL SERVE AS A CENTRAL MONITORING BODY IN FUTURE BUT IMPLICATION LEAVES A QUESTION OF ARRANGEMENTS TO THE FUTURE BOARD OF GOVERNORS AND EXECUTIVE DIRECTOR.

8. LDC'S ALSO QUESTIONED ASSESSMENT OF NEEDS BY DR. PREBISCH AND HIS STAFF AND FOUND FAULT WITH RESULT AS BEING TOO RESTRICTED TO BALANCE OF PAYMENTS DEFICITS. LANGUAGE DESCRIBING PREBISCH ANALYSIS LEADING TO LIST OF MSA'S WAS CONSIDERED OBJECTIONABLE BY DEL REPRESENTING PREBISCH. NO ALTERNATE ASSESSMENT WAS SUGGESTED. BOARD OF GOVERNORS PRESUMABLY WOULD BE CHARGED WITH THIS FUNCTION IN ORDER TO DETERMINE ELIGIBILITY OF POTENTIAL BENEFICIARIES. QUESTION OF ELIGIBILITY IS TO BE PERIODICALLY REVIEWED BY THE BOARD OF GOVERNORS.

9. MEMBERSHIP OF BOARD OF GOVERNORS IS TO INCLUDE A BALANCE BETWEEN REPRESENTATION OF POTENTIAL DONORS AND RECIPIENTS AND MEMBERSHIP OF POSSIBLE EXECUTIVE COMMITTEE IS TO INCLUDE EQUAL NUMBERS OF DONORS AND RECIPIENTS. IN CORRIDOR AND OUT OF MEETING DISCUSSIONS, THERE APPEARS TO BE A GENERAL RECOGNITION THAT BOTH OF THESE BODIES WILL INCLUDE MEMBERS WHO ARE NEITHER DONORS NOR RECIPIENTS, ALTHOUGH IN ONE OR TWO CASES THEY MIGHT BE POTENTIAL DONORS IN THE EYES OF WOULD BE RECIPIENTS. SOME LDC'S ARE THINKING THAT BOARD WILL NUMBER 36 AND IN EFFECT BE PRESENT AHC.

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10. COMMENT: GENERAL PARTICIPATION IN DEBATE BY DEVELOPED COUNTRIES WAS RATHER LIMITED SINCE MANY FELT THAT THEIR GOVERNMENTS WERE NOT INCLINED TO PROVIDE FINANCIAL SUPPORT FOR THE FUND AT THIS TIME AND THAT IN IMMEDIATE FUTURE AT LEAST THIS IS RELATIVE FRUITLESS EXERCISE. ALSO SOME CONCERN NOTED ON PART SEVERAL DCS (FRG, UK) ABOUT RELATIONSHIP SPECIAL FUND FUNCTIONS TO IBRD/IMF DEVELOPMENT COUNCIL CONCURRENTLY UNDER NEGOTIATIONS
END COMMENT.

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